

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 1383 - SB 1407**

March 26, 2015

**SUMMARY OF BILL:** Authorizes the State to issue direct general obligation interest bearing bonds in amounts not to exceed \$20,000,000. The proceeds will be allocated to the Tennessee Higher Education Commission for capital outlay and maintenance projects at higher education institutions. Authorizes the Funding Board to issue bond amounts not to exceed 2.5 percent of the amounts specified above for funding discount and cost of issuance.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$2,200,000 – First-Year Debt Service**

**\$32,600,000 Over the life of the bonds**

**\$20,000,000 Principal**

**\$12,600,000 Interest**

Assumptions:

- All projects authorized shall be approved by the State Building Commission.
- The coupon rate is estimated to be six percent.
- Bonds are issued for a term of 20 years.
- Assumes one-twentieth of the initial principal plus interest will be paid annually, instead of level debt service payments over the life of the bond.
- Based on current bond market rates, it is estimated that the cost of capital reflected by a six percent coupon rate will be sufficient for paying actual first-year debt service plus any costs of issuance.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, reading "Jeffrey L. Spalding".

Jeffrey L. Spalding, Executive Director

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